

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>CHEBOYGAN AREA PUBLIC LIBRARY</b>	County <b>CHEBOYGAN</b>
Fiscal Year End <b>6-30-06</b>	Opinion Date <b>10-09-06</b>	Date Audit Report Submitted to State <b>10-24-06</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>MIDWEST PROFESSIONALS, P.L.L.C.</b>		Telephone Number <b>989-732-1156</b>	
Street Address <b>215 S. COURT</b>		City <b>GAYLORD</b>	State <b>MI</b>
Zip <b>49735</b>			
Authorizing CPA Signature 		Printed Name <b>J. KURT TUCKER</b>	License Number <b>21567</b>

**CHEBOYGAN AREA PUBLIC LIBRARY  
CHEBOYGAN, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**CHEBOYGAN AREA PUBLIC LIBRARY**

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## **INDEPENDENT AUDITORS' REPORT**

# Midwest Professionals, P.L.L.C

*Certified Public Accountants*

215 South Court Avenue, Gaylord, MI 49735  
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## INDEPENDENT AUDITOR'S REPORT

To the Library Board of Trustees  
Cheboygan Area Public Library  
Cheboygan, Michigan

We have audited the accompanying general purpose financial statements of the Cheboygan Area Public Library (the "Library"), as of and for the year ended June 30, 2006. These general purpose financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Cheboygan Area Public Library, as of June 30, 2006 and the results of operations for the year then ended June 30, 2006.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments*, as of July 1, 2005. This results in a change in the presentation and content of the financial statements.

*Member of American Institute of Certified Public Accountants  
Member of Michigan Association of Certified Public Accountants*

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund and account group financial statements, schedules and the supplemental data section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Midwest Professionals*  
*P.L.L.C.*

Midwest Professionals, P.L.L.C.

October 9, 2006  
Gaylord, Michigan

## **MANAGEMENT DISCUSSION AND ANALYSIS**

## **Management's Discussion and Analysis**

Cheboygan Area Public Library, a District Library located in Cheboygan County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34 is intended to be the Cheboygan Area Public Library's management discussion and analysis of the financial results for the fiscal year ended June 30, 2006. In future years, comparative information will be provided.

This section of the financial report presents our discussion and analysis of the Cheboygan Area Public Library's ("Library") financial performance during the year ending June 30, 2006. Please read it in conjunction with the Library's financial statements, which follow this section.

### ***Financial Highlights***

- Revenues of the Library totaled \$679,272. The majority of these funds were in the form of property taxes for general operating expense.
- Expenses of the Library's activities were \$3,697,990 for the year, which included \$2,938,231 in capital outlay. This represents the spending of bond proceeds from the prior year.
- During the year, the Library's total net assets of governmental activities decreased by \$81,850, a 7.1% decrease.
- The resources available for appropriation in the general fund were \$479,140, which was less than the budget by \$175,110 mostly due to over-budgeting of Capital Campaign Construction revenue by \$250,000. General fund charges to appropriations were \$601,554, which was under the budget by approximately \$52,996. This relates to monies budgeted for Capital Campaign Construction.
- Support of \$129,234 was provided by the General Fund to the Capital Projects Fund due to cost overrun on the construction project.
- During the year the Library moved into its new building.



## ***Overview of Financial Statements***

- This annual report consists of four parts- Management's discussion and analysis (this section), the basic financial statements of the primary government, required supplementary information- budget to actual comparison schedules, and the single audit section. The basic financial statements include two kinds of statements that present different views of the Library:

The first two statements, the Statement of Net Assets and the Statement of Activities are *primary government financial statements* that provide both long-term and short-term information about the Library's *overall* financial status. The remaining statements are *fund financial statements* that focus on individual parts of the Library, reporting operations in more detail than the primary government financial statements. Fund financial statements include:

- Governmental fund financial statements that tell how general library services were financed along with capital projects and debt service.
- Capital Projects fund financial statements offer short- and long-term financial information on the Library's construction project.
- Debt Service fund financial statements provide financial information about the Library's long and short-term obligations for various uses.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of required supplementary information comprised of budgetary comparison schedules, which further explain and support the information in the financial statements. The table of contents section of this report clearly outlines the components of the Library's annual financial report.

Figure 1 summarizes the major features of the Library's financial statements, including the portion of the Library they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure 1**  
**Major Features of Primary Government and Fund Financial Statements**

	Primary Government Statements	Fund Statements Governmental Funds
Scope	Entire Library except fiduciary funds.	The activities of the Library that are not proprietary or fiduciary.
Required financial statements	1) Statement of net assets 2) Statement of activities	1) Balance Sheet 2) Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that are due during the year or soon thereafter; no capital assets included.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and other liabilities when due and payable.

## Primary Government Statements

The Primary government financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

In the Statement of Net Assets and the Statement of Activities, we present the Library into this kind of activity:

- *Governmental Activities*—All of the Library's basic services are reported here in support and they include high-speed internet, children and adult programs, providing books and audio visual materials. These activities are financed primarily through property tax revenue, which is 71% of total revenues.

## Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The Library establishes funds by resolution to help it control and manage money for a particular purpose, or in order to demonstrate that it is meeting legal responsibilities for using certain grants and other money. The three fund types—governmental, proprietary, and fiduciary—use different accounting approaches.

- Governmental fund financial statements are comprised of the general, capital projects, and debt service funds that tell how general government services are funded. In addition governmental funds focus on how cash and other financial assets flow in and out and the balances that are left at year-end and are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in

the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the Library-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between governmental and business-type activities and balances reported in the Statement of Net Assets and the Statement of Activities and governmental funds statements.

### ***Financial Analysis of the Library as a Whole***

**Net assets.** The Library's primary government net assets decreased by \$81,850 (7.1%) during the year. Table 1 summarizes the Library's primary government net assets:

**Table 1**  
**Library's Primary Government- Net Assets**

	<b>2006</b>
	<b>Governmental</b>
	<b>Activities</b>
Current and other assets	\$ 1,255,917
Capital assets	3,163,055
<b>Total assets</b>	<b>4,418,972</b>
Other liabilities	3,142,139
<b>Total liabilities</b>	<b>3,142,139</b>
Net assets	
Invested in capital assets, net of related debt	293,010
Restricted for Contributions/Grants	5,373
Restricted for Debt Services	112,258
Unrestricted	846,147
<b>Total net assets</b>	<b>1,256,788</b>

**Changes in net assets.** Table 2 summarizes the Library's change in net assets for the year.

**Table 2**  
**Changes in Library's Net Assets**

	<b>2006 Governmental Activities</b>
<b>Revenues</b>	
<b>Program</b>	
Charge for Services	21,497
<b>General</b>	
Property Taxes	468,475
Penal Fines	91,832
State Aid	16,925
Investment Earnings	64,446
Donations	16,097
	<b>679,272</b>
<b>Expenses</b>	
<b>Primary Government Expenses</b>	
Library Services	226,079
Administrations	87,912
Other	447,131
<b>Total Expenses</b>	<b>761,122</b>
 <b>Increase (decrease) in net assets</b>	 <b>(81,850)</b>

The decrease in net assets can be mostly attributed to general government activities. General government expenses exceeded related revenues by \$81,850. Of this figure, \$20,045 relates to depreciation expense.

## **Governmental Activities**

### ***Financial Analysis of the Library's Funds***

The unrestricted fund balance of the General Fund decrease by \$122,414 during the fiscal year, due to support provided to the Capital Projects Fund for completion of the new building. The restricted fund balance of the Debt Service Fund had an increase of \$20,274. The restricted General Fund Balance increased by \$5,373.

## ***Capital Assets***

At the end of FY 2006, the Library had \$3,163,055 invested in capital assets. The changes in the primary government's capital asset compared to last year are as follows:

Capital Assets at Year-End Governmental Activities (Net of Depreciation)	
	2006
Building and improvements	<u>\$ 3,129,538</u>
Furniture and Equipment	<u>13,472</u>
Totals	<u><u>\$ 3,143,010</u></u>

This year's major additions included:

Building	\$2,923,797
Various equipment	<u>14,434</u>
	<u><u>\$2,938,231</u></u>

## ***Economic Factors and Next Year's Budgets***

The Library is well aware of the increasing competition for federal and state grants, and strives to maintain an equal or greater funding level than the previous year. Property tax is the primary source of income. The economic climate appears to be currently stable, we do not anticipate any major changes in total income despite the possibility of reduction in State Aid or Penal Fine revenue. These funding sources are vital to our continued operations, yet circumstances beyond our control are issues that must always be considered.

## ***Contacting the Library's Financial Management***

This financial is designed to provide the reader with a general overview of the Library's finances and to demonstrate the Library's accountability for the resources it receives. If you have any questions about this report or need additional information, contact Mark Bronson, Executive Director, Cheboygan Area Public Library, 100 South Bailey Street, Cheboygan, MI 49721

## **BASIC FINANCIAL STATEMENTS**

## **LIBRARY-WIDE FINANCIAL STATEMENTS**



**Cheboygan Area Public Library**  
**Statement of Net Assets**  
**As of June 30, 2006**

	Primary Government
	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,146,827
Taxes Receivable	91,832
Accounts Receivable	5,302
Capital Assets	
Building	\$ 3,148,621
Equipment	14,434
Accumulated Depreciation on Assets	(20,045)
Total Capital Assets	3,143,010
Total Assets	\$ 4,386,971
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	\$ 267,738
Wage & Payroll Liabilities	12,445
Bonds Payable due within one year	50,000
Total current liabilities	330,183
Non-current Liabilities:	
Bonds Payable due in more than one year	2,800,000
Total non-current liabilities	2,800,000
Total Liabilities	3,130,183
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	293,010
Restricted for;	
Contributions/Grants	5,373
Debt Service	112,258
Unrestricted	846,147
Total Net Assets	\$ 1,256,788

The accompanying notes are an integral part of these financial statements.

**Cheboygan Area Public Library  
Statement of Activities  
For the Year Ended June 30, 2006**

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charge for Services	Operating Grants and Contributions		
					Capital Grants and Contributions
<b>Primary Government</b>					
Governmental Activities					
Library Services	226,079	-	-	(226,079)	
Administrations	87,912	-	-	(87,912)	
Other	447,131	21,497	-	(425,634)	
Total Governmental Activities	761,122	21,497	-	(739,625)	
Total Primary Government	761,122	21,497	-		
<b>General Revenues</b>					
Property Taxes				468,475	
Penal Fines				91,832	
State Aid				16,925	
Investment Earnings				64,446	
Donations				16,097	
Total General Revenue				657,775	
Change in Net Assets				(81,850)	
Net Assets - Beginning of the Year				1,338,638	
Net Assets - End of the Year				1,256,788	

The accompanying notes are an integral part of these financial statements.

## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**Cheboygan Area Public Library**  
**Balance Sheet - Governmental Funds**  
**As of June 30, 2006**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 913,882	\$ 132,643	\$ 100,302	\$ 1,146,827
Taxes Receivable	91,832	-	-	91,832
Accounts Receivable	5,302	-	-	5,302
Due From Other Funds	-	129,234	11,956	141,190
Total Assets	<u>\$ 1,011,016</u>	<u>\$ 261,877</u>	<u>\$ 112,258</u>	<u>\$ 1,385,151</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 5,861	\$ 261,877	\$ -	\$ 267,738
Wages & Payroll Liabilities	12,445	-	-	12,445
Due to Other Funds	141,190	-	-	141,190
Total Liabilities	<u>159,496</u>	<u>261,877</u>	<u>-</u>	<u>421,373</u>
<b>Fund Balances</b>				
Restricted:				
Contributions/Grants	5,373	-	-	5,373
Capital Projects	-	-	-	-
Debt Service	-	-	112,258	112,258
Unrestricted				
Designated for contingency	350,000	-	-	350,000
Designated for library improvements	300,154	-	-	300,154
Undesignated	195,993	-	-	195,993
Total Fund Balances	<u>851,520</u>	<u>-</u>	<u>112,258</u>	<u>963,778</u>
Total Liabilities and Fund Balances	<u>\$ 1,011,016</u>	<u>\$ 261,877</u>	<u>\$ 112,258</u>	<u>\$ 1,385,151</u>

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The accompanying notes are an integral part of these financial statements.

**Cheboygan Area Public Library**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>				
Property Taxes-General Operating	\$ 307,528	\$ -	\$ -	\$ 307,528
Property Taxes-Debt	-	-	160,947	160,947
State Aid	16,925	-	-	16,925
Penal Fines	91,832	-	-	91,832
Investment Revenue	34,071	29,929	446	64,446
Donations	10,042	6,055	-	16,097
Other Revenue	18,742	2,755	-	21,497
Total Revenues	<u>479,140</u>	<u>38,739</u>	<u>161,393</u>	<u>679,272</u>
<b>Expenditures</b>				
Current				
Library Services	226,079	-	-	226,079
Administration	87,912	-	-	87,912
Other	158,329	152,638	1,394	312,361
Capital Outlay	-	2,938,231	-	2,938,231
Debt Service				
Principal	-	-	25,000	25,000
Interest	-	-	114,725	114,725
Total Expenditures	<u>472,320</u>	<u>3,090,869</u>	<u>141,119</u>	<u>3,704,308</u>
Revenues Over (Under) Expenditures	<u>6,820</u>	<u>(3,052,130)</u>	<u>20,274</u>	<u>(3,025,036)</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In/(Out)	<u>(129,234)</u>	<u>129,234</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(129,234)</u>	<u>129,234</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	<u>(122,414)</u>	<u>(2,922,896)</u>	<u>20,274</u>	<u>(3,025,036)</u>
Fund Balances, Beginning of Year	<u>973,934</u>	<u>2,922,896</u>	<u>91,983</u>	<u>3,988,813</u>
Fund Balances , End of Year	<u>\$ 851,520</u>	<u>\$ -</u>	<u>\$ 112,258</u>	<u>\$ 963,778</u>

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Reconciliation of Balance Sheet - Governmental Funds**  
**To Statement of Net Assets**  
**For the Year Ended June 30, 2006**

Total Fund Balance -Governmental Funds	\$	963,778
Amounts reported for governmental activities in the statement of net assets are different because capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,143,010
Long term liabilities are not due and payable in the current period and are not reported in the funds		(2,800,000)
Current Maturities of Debt, Due within one year		(50,000)
Net Assets of Governmental Activities	\$	<u>1,256,788</u>

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds**  
**To Statement of Activities**  
**For the Year Ended June 30, 2006**

Net Change in Fund Balances - Governmental Funds	\$	(3,025,036)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital outlays are reported in governmental funds as expenditure. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:		
	Capital Outlay	\$ 2,938,231
	Depreciation Expense	<u>(20,045)</u>
		2,918,186
Principal payment made on bond obligations		25,000
Change In Net Assets of Governmental Activities	\$	<u>(81,850)</u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Cheboygan Area Public Library (“Library”) was established under the authority of the District Library Establishment Act, PA 24 of 1989, as amended and the District Library Financing Act, PA 265 of 1988 as amended. The Library is governed by a Board of Trustees appointed by the townships of Aloha, Beaugrand, Benton, Grant and Inverness, the City of Cheboygan and the Cheboygan Area Public Schools. The library was officially recognized by the Library of Michigan on November 3, 1994. Prior to obtaining district library status, the Library was under the control of the Cheboygan Area Public Schools. For reasons relating to separation and reporting issues, the Library remained under the School’s control until June 30, 1995. On July 1, 1995, the Library received a cash transfer from the School equal to its share of the School’s fund balance.

The service area of the Library encompasses the boundaries of the Cheboygan Area Public School’s District, including the City of Cheboygan and surrounding townships, with the exception of Mullet Township.

The financial statements of the Cheboygan Area Public Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB statements and interpretations constitute GAAP for governments.

The accompanying financial statements have been prepared in accordance with the reporting model defined by GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB 34 significantly changes financial reporting for governmental entities, including Library’s. The more significant of the Library’s accounting policies are described below.

**Reporting Entity**

The Library has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists only of the primary government. The criteria for including a component unit include entities for which the government is considered to be financially accountable.

The accompanying statements present the activities of the Library. The Library is not a component unit of another reporting entity nor does it have any component units as defined in Governmental Accounting Standards Board Statement No. 14.



**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Basis of Presentation**

Basic Financial Statements

The basic financial statements of the Library include the library-wide and the fund financial statements. Prior to implementation of GASB 34, the financial statements emphasized fund types and account groups. In the new reporting model the focus is on the Library as a whole in the library-wide financial statements, while reporting additional and detailed information about the Library's major governmental activities in fund financial statements.

Library-Wide Financial Statements

The library-wide statement of net assets and statements of activities display information about the Library's primary government. These statements include the financial activities of the overall Library.

The Library-wide statement of activities reflects the cost of direct expenses reduced by directly associated revenues (program income, and operating and capital grants) to arrive at the net revenue or expense for each program and function. Net program revenue or expenses for governmental and business activities are then adjusted for general revenues to determine the change in net assets for the year. When both grant and discretionary resources are available for use, it is the Library's policy to use grant resources first, then discretionary resources as they are needed. When both restricted and unrestricted resources are available for use, it is the Library's policy to use grant resources first, then discretionary resources as they are needed.

Fund Financial Statements

The fund financial statements provide information about the Library's funds. Separate statements for each fund category - governmental, capital projects, and debt service - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as other funds.

The Library reports the following governmental funds:

*General Fund* – The general fund is the Library's primary operating fund. It accounts for all Library financial resources, except those required to be accounted for in another fund.

*Capital Projects Fund* - This fund accounts for monies raised and expenditures incurred related to the building expansion project.

*Debt Service Fund* – This fund accounts for the principal and interest payments on bonds used to finance a construction project of the Library.

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Basis of Accounting**

Library-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

**Budgets**

Budgets are adopted using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund.

Budgetary accounting is used to control expenditures and monitor revenues. Budgetary accounts are established in fund general ledgers as a useful procedural adaptation of the accounting system. Estimated revenues and expenditures adopted in the budget are recorded in those accounts. Information is thus available that allows management to continuously monitor compliance with budgets. Revisions to the expenditures budget must be approved by the Library Board of Trustees.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Library considers all investments with maturity of three months or less to be cash equivalents. The Library maintains checking accounts for the governmental funds; the general, capital projects and the debt service fund each have separate checking accounts.

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Investments**

The Library has the authority to invest its resources as follows as allowed for by State of Michigan Statutes, which currently consists of interest earned on checking accounts.

- 1) The investment policy of the Library allows it to invest in instruments allowed by State of Michigan Statutes. State statutes authorize the Library to invest funds follows:
  - (a) In bonds, securities, and other obligation of the United States or an agency or instrumentality of the United States.
  - (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II)
  - (c) In commercial paper rated at the time of purchase with the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
  - (d) In repurchase agreements consisting of instruments listed in subdivision (a).
  - (e) In banker's acceptances of the United States banks.
  - (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
  - (g) In mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat, 789, 15 U.S.C. 80a-1 to 80a-3 to 80a-74, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
    - a. The purchase of securities on a when-issued or delayed delivery basis.

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

- b. The ability to lend portfolio securities as long as the mutual fund received collateral at all times equal to at least 100% of the value of the securities loaned.
- c. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- 2) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- 3) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- 4) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

**Property Taxes Receivable**

Expenditures incurred on federal and state award programs, where the funding is still yet to be received by the Library, are recognized as property tax receivable on the Library's balance sheet.

**Interfund Receivable/Payable**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued**

**Capital Assets and Depreciation**

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not known. Contributed assets are recorded at estimated fair value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs for repairs and maintenance are expensed as incurred.

Capitalization thresholds, (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

<u>Assets</u>	<u>Capitalization Threshold</u>	<u>Years</u>
Buildings and Improvements	\$ 5,000	25
Furniture and Equipment	\$ 5,000	3 to 5
Vehicles and Mobile Equipment	\$ 5,000	5

Depreciation is provided using the straight-line method over estimated useful lives.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Long-term Obligations**

In the library-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

**Income Taxes**

The Cheboygan Area Public Library is a government entity and is not subject to federal and state income taxes. As such, no income taxes have been provided for in the accompanying financial statements.

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

As of June 30, 2006, the carrying amount of the Library's deposits was \$1,146,827 and bank balances were \$1,060,622. All cash reflected in the financial statements was deposited in National City Bank, First Community Bank, and Citizens Bank. Cash deposits of up to \$100,000 are covered by federal depository insurance in each institution. All deposits are carried at cost plus accrued interest.

		Carrying Amount	Insured Bank Balances	Uninsured Uncollateralized Bank Balances
National City Bank	Insured (FDIC)	\$ 913,882	\$ 100,000	\$ 813,882
First Community Bank	Insured (FDIC)	100,302	100,000	302
Citizens Bank	Insured (FDIC)	132,643	100,000	32,643
		<u>\$ 1,146,827</u>	<u>\$ 300,000</u>	<u>\$ 846,827</u>

**Detail**

The following schedule details the cash and cash equivalent deposits included in the audited financial statements of the Library:

**CASH AND CASH EQUIVALENTS**

Included in Financial Statements

Account Name	Bank	Carrying Amount 6/30/2006	Bank Balance 6/30/2006
<b><u>Checking:</u></b>			
General Account	National City Bank	\$ 901,822	\$ 680,944
Payroll	National City Bank	11,560	560
Petty Cash	National City Bank	500	634
Library Debt Reduction	First Community Bank	100,302	100,302
Building Fund NOW	Citizens Bank	4,146	4,146
Construction Fund	Citizens Bank	(3,518)	142,021
Building Fund IMMA	Citizens Bank	132,015	132,015
Total Checking		<u>1,146,827</u>	<u>1,060,622</u>
Total Cash and Cash Equivalents included in Financial Statements		<u>\$ 1,146,827</u>	<u>\$ 1,060,622</u>

All of the Library's cash and cash equivalents are considered deposits for disclosure purposes.

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

The Library Board of Trustees is authorized to designate depositories for Library funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require and the Library does not have a policy for deposit custodial risk. As of year end \$846,827 of the Library's bank balance of \$1,146,827 was exposed to custodial credit because it was uninsured and uncollateralized.

The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits Library funds and assesses the level of risk of each institution: only those institutions with an acceptable estimated risk level are used as depositories. All of the Library's cash and cash equivalents are considered deposits for disclosure purposes

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 3 –RECEIVABLES**

Receivables as of June 30, 2006 consist of the following:

	General Fund	Capital Projects Fund	Debt Service Fund	Memorandum Total Only
Accounts Receivable	\$ 5,302	\$ -	\$ -	\$ 5,302
Taxes Receivable	91,832	-	-	91,832
	<u>\$ 97,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,134</u>

**NOTE 4 INTERFUND RECEIVABLES and PAYABLE**

	Interfund Receivables	Interfund Payables
DueTo/From Other Funds		
General Fund	\$ 141,190	\$ -
Capital Project Fund		129,234
Debt Service Fund		11,956
		<u>141,190</u>
Total	<u>\$ 141,190</u>	<u>\$ 141,190</u>

The Library reports interfund balances between certain funds. The sum balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time difference between the dates that (1) transactions are recorded in the accounting system and (2) payments between funds are made.

**NOTE 5 – DEFINED BENEFIT PENSION PLAN**

**Type of Plan**

All employees of the Library who were employed prior to the Library's separation from the Cheboygan Public Schools on November 3, 1994 participate in the Michigan Public School Employees Retirement System (MPERS), a cost sharing, multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. Employees hired after November 3, 1994 are not eligible to participate in the System. MPERS provides



**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. State of Michigan statute assigns the authority to establish and amend benefit provisions to the State Legislature. The Office of Retirement Systems issued a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-6000.

**Funding Policy**

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 to \$15,000; and 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The Library is required to contribute the full actuarial funding contribution amount to fund pension benefits plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 16.34% of annual covered payroll. The contribution requirements of plan members and the Library are established by State of Michigan statute and may be amended only by action of the State Legislature. The Library's contributions to MPSERS for the years ended June 30, 2006, 2005, and 2004 were \$9,831, \$8,759 and \$7,666, respectively, equal to the required contributions for each year.

**Other Post-employment Benefits**

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage, which are funded on a cash disbursement basis. Retirees having these coverage's contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium for the health, dental and vision coverage's.

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 6 – LONG-TERM DEBT**

A summary of long-term debt and transactions related thereto is as follows for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within 1 year
2005 General Obligation Unlimited Tax Bonds. Bonds maturing serially to 2023 in annual payments ranging from \$25,000 to \$250,000 and bearing interest at 3.5 to 4.375%.	\$2,875,000	\$-	\$25,000	\$2,850,000	\$50,000

Annual debt service requirements to maturity for the above is as follows:

	<u>Principal</u>	<u>Interest</u>
2007	50,000	113,850
2008	50,000	112,100
2009	100,000	110,350
2010	100,000	106,850
2011	125,000	103,350
2012-2016	775,000	439,000
2017-2021	950,000	272,100
2022-2024	700,000	62,063
<b>Total</b>	<u>2,850,000</u>	<u>1,319,663</u>

Total interest expense for the Library for the year was \$114,725.

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 7 – COMPENSATED ABSENCES**

There is no provision because of unused leave due to Library policy. Vacation time must be used in the current year by Library employees. Sick leave may be carried over, however, if an employee is terminated or leaves the Library no sick leave is paid. Due to this uncertainty there is no liability for compensated absences. On the governmental financial statements individual programs are charged when an employee is actually paid for the leave time.

The Library's policy allows employees to carry forward a maximum of 6 days (48 hours) per year of sick leave, up to a maximum of 30 days (240 hours).

**NOTE 8 - INSURANCE**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensations), as well as medical benefits provided to employees. The Library has purchased commercial insurance for claims relating to employee injuries (workers' compensation) and medical benefits and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The shared risk pool program in which the Library participates operates as a common risk sharing management program for municipalities in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**NOTE 9 – ECONOMIC DEPENDENCY**

The Library receives the majority of its operating revenue from property tax levies funded by the local government. The loss of or reduction of these revenues would cause the Library to become unable to perform regular daily administrative and operating activities.

**CHEBOYGAN AREA PUBLIC LIBRARY**  
**Cheboygan, Michigan**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006, is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
	\$ -	\$ -	\$ -	\$ -
	-	-	-	-
	-	-	-	-
Total assets not being depreciated	-	-	-	-
Capital assets being depreciated				
Buildings and Improvements	-	3,148,621	-	3,148,621
Furniture and Equipment	-	14,434	-	14,434
Total Other Capital Assets at Historical Cost	-	3,163,055	-	3,163,055
Less: Accumulated Depreciation for				
Buildings and Improvements	-	19,083	-	19,083
Furniture and Equipment	-	962	-	962
Total Accumulated Depreciation	-	20,045	-	20,045
Capital Assets Being Depreciated, Net	-	3,143,010	-	3,143,010
Governmental Activities Capital Assets, Net	\$ -	\$ 3,143,010	\$ -	\$ 3,143,010

Depreciation expense was charged to functions as follows:

Governmental Activities	
Library Services	\$ 20,045
Total Governmental Activities Depreciation Expense	\$ 20,045

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Cheboygan Area Public Library  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2006**

	Budgeted Amounts			Variance with Final Budget - Favorable (unfavorable)
	Original	Final	Actual	
<b>Resources (Inflows)</b>				
Property Taxes	\$ 265,000	\$ 265,000	\$ 307,528	\$ 42,528
State Aid	12,000	12,000	16,925	4,925
Penal Fines	100,000	100,000	91,832	(8,168)
Investment Revenue	18,000	18,000	34,071	16,071
Donations	-	-	10,042	10,042
Capital Campaign Construction	-	250,000	-	(250,000)
Other	6,750	9,250	18,742	9,492
Amounts Available for Appropriation	401,750	654,250	479,140	(175,110)
<b>Charges to Appropriations (Outflows)</b>				
Library Services	192,840	293,035	226,079	66,956
Administration	72,315	117,765	87,912	29,853
Operating Transfer- Capital Campaign Support	-	243,450	129,234	114,216
Other	136,595	-	158,329	(158,329)
Total Charges to Appropriations	401,750	654,250	601,554	52,696
Resources Over Charges to Appropriations	-	-	(122,414)	(122,414)

# **Midwest Professionals, P.L.L.C.**

*Certified Public Accountants*

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## **LETTER OF COMMENTS AND RECOMMENDATIONS**

To the Senior Management and the Board of Trustees  
Of the Cheboygan Area Public Library

In planning and performing our audit of the financial statements of the Cheboygan Area Public Library for the year ended June 30, 2006, we considered the Library's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect the Cheboygan Area Public Library's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

This letter does not affect our report on the financial statements of the Cheboygan Area Public Library dated October 9, 2006. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operational efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### **CURRENT YEAR ITEMS:**

**June 30, 2006**

#### ***REPORTABLE CONDITIONS:***

##### **1) Fiscal Policies and Procedures**

No written policies and procedures exist over the Library's financial management system. In order have an effective internal control system in place and working properly, it is imperative that approved, written policies and procedures exist which clearly identify each control objective as well as accurately outline the accepted control procedures (actions) required to be followed by the Library's personnel. Such issues as proper segregation of duties, custody, recording, and safeguarding of assets should be addressed in written policies.

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In performing our audit over the **Library** it was difficult for the auditor to properly test internal controls without approved written policies. Here are some of the areas, which should be included in written policies and procedures:

- 1) Purchasing procedures(including accounts payable system)
- 2) Cash receipting (including accounts receivable system) and cash management procedures
- 3) Procurement procedures and receiving procedures
- 4) Payroll procedures
- 5) Property management system
- 6) Budgetary procedures
- 7) Segregation of duties

**Recommendation:** The Library should prepare, approve, and implement written policies and procedures over its financial management system.

#### **Accounts payable balances**

During the fiscal year, were not maintained in the Library's accounting system. At year-end, accounts payable were understated by \$267,738.

**Recommendation:** Management needs to develop a system of recording bills, in accordance with GAAP, into the accounting system (creating accounts payable balances) on the date of receipt, instead of on the date of payment, which was the case during the fiscal year.

#### **Property Management System**

We noted no use of a property management system during the fiscal year. Weak internal controls limit the Library's ability to properly safeguard its assets.

**Recommendation:** The Library adopts and implements policy and procedures to help safeguard its assets.

#### **OTHER ITEMS:**

##### **4) Payroll System**

In performing our audit over the Library's payroll system these items were noted:

A) Timesheets were not present for all employees.

**Recommendation:** Development and implement use of timesheets for all employees. Should have completed timesheets, have management approval and employee signature.

B) Year-end payroll tax reports did not agree to Form W-3.

**Recommendation:** Tie out procedures should be performed at calendar year-end to ensure that all required year-end payroll tax forms agree to support.

##### **5) Revenue**

Endowment funds were recorded as a liability.

**Recommendations:** All endowments should be recorded as revenue and class coded for tracking purposes.

##### **6) Bank Account Reconciliations**

Manual checks are not entered into the accounting software check register on a timely basis.

**Recommendation:** We suggest that no bank reconciliation be done until all checks are entered in the accounting system. This will eliminate the need to complete manual bank reconciliation along with the accounting system generated one.



## 7) Expenditures

Funds were expended without having documented preapproval authorization.

**Recommendation:** We highly encourage the use of purchase orders and a check requisition form as a budgetary control over monies spent by the Library

## 8) Background Checks

We recommend that all employees have a background check performed. This should be added to the personnel policy and procedures. The policy should address the frequency of such checks.

We wish to thank Mark Bronson, as well as the rest of the staff of the Library for their support and assistance during our audit.

This report is intended for the information of the Cheboygan Area Public Library's Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

*Midwest Professionals*  
*P.L.L.C.*

Midwest Professionals, P.L.L.C.

October 9, 2006